

Testimony of Gene South
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Task Force on Telecommunications
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Mr. Chairman and members of the Committee, I am Gene R. South, Chief Executive Officer of Lakedale Communications headquartered in Annandale, Minnesota. I have been in the telecommunications industry for more than 35 years during which time I have seen significant changes in the way we all communicate. I am proud to appear before you today both in my capacity as the CEO of Lakedale as well as Chairman of the U.S. Telecom Association (USTA).

USTA is the premier trade association representing service providers and suppliers for the telecom industry. USTA's 1,200 member companies offer a wide range of services, including local exchange, long distance, wireless, Internet and cable television service. Our membership ranges from the smallest rural co-op to some of the largest corporations in America.

We are an organization where the agenda is set of, by and for the membership. Today that agenda centers on two things:

1. securing a strong, viable future for universal service, and
2. freeing our companies from government micromanagement, so we can face our competitors across a level playing field in a consumer-controlled marketplace.

Mr. Chairman, I would like to thank the Congressional Rural Caucus Telecom Task Force for holding this hearing. Your efforts to explore these issues as they impact rural America are occurring at the same time other Committees of Congress begin efforts to update our nation's telecom laws and place consumers in the driver's seat of this new innovation economy.

This effort is vital to our nation. But, in my opinion, no segment of our country has more to gain and more at stake in this debate than rural America. It is critical that we have policies that encourage investment and head-to-head competition throughout the country...policies that speed new services, choices and value to our people...while upholding vital social objectives that remain important to the nation—chief among them, our commitment to ensuring affordable, reliable access to a dial tone for all Americans.

Today, I offer the perspective of a rural American and a rural telecom provider. All too often when people think of advanced communications, they think of the big companies and big cities. But smaller, rural telecommunications providers are great innovators, as well. We are committed to delivering advanced services, new choices and real value in the communities we serve.

My company, Lakedale Communications, offers wireline and wireless services...local and long distance ...Internet access—from dial-up to DSL and beyond...cable television...even energy. We offer bundles with varying minutes...different Internet speeds... even kilowatt hours. We are giving customers what they want most: choices...value...and the convenience of one-stop shopping.

Lakedale serves primarily rural areas. Annandale itself has just 3,000 people. We have just one traffic light. Yet Annandale residents can choose from five providers of voice telephony –four wireless companies and Lakedale. Our residents also have significant choices in terms of their television service – local broadcasters whose signals can be received with an antenna...satellite companies... ...and Lakedale.

All of these companies are competing directly for the same customers, yet only Lakedale—as a local wireline company—is subject to extensive day-to-day government micromanagement of our business. These are laws written for a different era...laws that technology, consumers and American innovation have long passed by...yet they continue to distort one of the most important marketplaces of the 21st century...and hold back the full benefits of head-to-head competition and more vigorous investment in our rural communities and beyond.

That's why we say it's time for the laws to catch up with our lives. Until they do, rural America will not reap the full benefits of market-based competition. Cable and wireless high-speed Internet providers, for example, face little or no regulation. Yet, try as I might to obtain a video franchise to offer an alternative to cable television, region after region says I can't serve anyone unless I serve everyone from day one or in a short timeframe. As a small company, I do not have the deep pockets for that. I have to build out over time. My company wants to bring competition...yet misguided regulations deny consumers that choice...and deny our companies an equal right to compete.

How do we advance rural telecommunications in this new era? We start by acknowledging the fundamental changes we see all around us today. We can open our eyes to what consumers see in their daily lives: Cable, wireless, landline, satellite and others all today in direct competition.

From that acknowledgement, we can determine that it's time for consumer choices to come first—not those of the government. It's time for consumers to sort out the winners and losers, rather than policies that favor one technology over another.

We can acknowledge a fundamental lesson of the U.S. economy: Consumers stand to gain the most value, the fastest access to innovative services and the best quality of service when innovative companies invest and compete vigorously for their business.

We also can and should balance this embrace of market-based competition with a commitment to uphold vital consumer safeguards across all technologies.

Folks should not have to think about what technology they are using to dial 911 in an emergency. They should trust that call will go through.

If we believe certain public safety and law enforcement obligations are essential, then they should be required of all providers, so people who wish us harm don't have an advantage turning to one technology over another.

If this country remains committed to affordable, reliable access to a dial tone for all of its citizens, then we need to ask all companies in today's marketplace to contribute to universal service, so those that do maintain this commitment are not at a competitive disadvantage to newer technologies that do not.

Local telecommunications companies don't mind making these commitments. For decades, in fact, they have defined us as an industry...our public service ethic...our commitment to serving everyone. After all, we live and work in these communities. We want to see them thrive. We simply ask for an equal chance to innovate...to evolve...to compete...and to continue our legacy of service.

We know that the world is changing. We're not afraid of change. We simply want rules that allow us to hang our hats on the service we provide to consumers rather than to see our fate decided by a government-knows-best approach.

Mr. Chairman, wireless carriers, cable providers, Voice over Internet Protocol and satellite companies are attracting capital because they are free to compete with each other, unshackled by overreaching regulatory constraints. Some of our competitors don't provide E911 services or access for law enforcement agencies. In many cases, they do not contribute to universal service. If these are important commitment for the nation—and I believe that they are—then they should apply equally to all competitors.

Today, some large telecom companies are pushing for fiber to the home, primarily in urban and suburban areas since it is more economical to build infrastructure in more densely populated areas. Without question, that's good for America. We are behind today in the broadband race—ranked 13th in the world. And, we at USTA are behind the President's goal of catching up and restoring the nation's broadband leadership.

Rural local exchange carriers have, for many years, provided universal, reliable, and affordable service to their customers. Now, we want to help deliver the broadband future...faster—new services, new choices, new value, new economic opportunities. The telecommunications services that we provide are often the backbone for economic development in the areas we serve. We're proud of that fact, and we want to continue to be engines of economic opportunity in rural America.

But our telecom laws must be updated to reflect the many changes that have taken place in technology and in the consumer marketplace over the last decade and to give our companies the freedom to invest, to compete and to serve—the same freedoms already enjoyed by our market competitors.

Mr. Chairman, advances in telecommunications hold extraordinary potential to enhance the quality of life and economic opportunities available to rural Americans. We appreciate forums like this one that explore these opportunities and how U.S. policies can make the most of them. We at USTA look forward to working with you on legislation that will update the nation's telecom laws, advance vital social objectives and make sure rural America has every opportunity to reap the full benefits of this new world of communications.

Thank you for your time and consideration.